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SUBJECT: HOW CHINA'S PRODUCT QUALITY SYSTEM WORKS IN THE PEARL RIVER
DELTA

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11. (SBU) Summary: Chinese officials hosted a tour of inspection facilities and export production sites (reported septel) that helped shed light on China's product quality control system for imports and exports. This telegram provides details on the system's bureaucracy and procedures as described by Chinese officials. End summary.

A Massive Bureaucracy

12. (SBU) During the September 24-27 tour of inspection and export production facilities hosted by China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) for foreign diplomats, Chinese officials provided details on how China's product quality inspection system works. The system's bureaucracy includes 300 local China Inspection and Quarantine (CIQ) branches reporting to 35 main provincial-level offices, as well as 2,000 local Technical Supervision Bureau (TSB) offices that perform testing on products for domestic consumption only. TSB's 180,000 employees are controlled exclusively at the provincial level, while CIQ's 30,000 nationwide employees are supervised directly by AQSIQ headquarters in Beijing.

13. (SBU) The size of the inspection bureaucracy can create problems. Communications are sometimes slow. AQSIQ sends standards revisions and other official documents to local CIQ offices via regular mail. Resources can also be scarce among local CIQs, even as some high priority sites such as Shenzhen receive sizeable budgets.

Different Views on Centralization

14. (SBU) Officials differed on the degree of central control within the product quality inspection system. A Guangdong CIQ official described China's national regulatory regime as consisting of 17 laws and regulations on product and food quality and safety. However, he made it clear that provinces like Guangdong can implement their own localized regulations. An AQSIQ official, on the other hand, emphasized that he and his staff are committed to ensuring that all CIQ inspections take place uniformly according to established national regulations, and not in a way that might result in local protectionism.

Guangdong - Three Provinces in One

15. Guangdong Province has three "provincial-level" CIQ offices. In addition to the Guangdong office, headquartered in Guangzhou, the cities of Shenzhen and Zhuhai each has a separate CIQ office due to the high volume of trade passing through their ports. According to Guangdong CIQ Director General Zhong Dechang, his office with staff of 7,000 has jurisdiction over one quarter of all imports to China. He also noted that Guangdong CIQ maintains 38 laboratories with equipment worth over RMB 100 million. Shenzhen CIQ authorities pointed out that they have jurisdiction over one seventh of all of China's exports.

Rating Companies

16. (SBU) CIQ officials in Shenzhen described in detail the system they use to rate companies based on their inspection record. Companies with an "A" rating have an excellent inspection history and are deemed to be most reliable in their quality control procedures and internal product quality inspections. They require less frequent inspections by CIQ officials. Companies with a "B" rating are doing well in their efforts to maintain product quality, but they have experienced recent minor problems that lead to more CIQ attention and more frequent follow-up inspections than "A" companies. CIQ considers companies with a "C" rating to have demonstrated acceptable product quality standards, but not without lapses requiring regular attention of CIQ officials and frequent inspections at company facilities and at the ports. CIQ officials explained that a "D" rating denotes significant product quality problems that require sustained government attention. These companies are subject to restrictions from exporting food and/or manufactured products until comprehensive improvements to their quality control systems and inspection results are demonstrated. If there is no improvement, the company is closed down and all production ceases.

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Laboratory Sampling Procedures

17. (SBU) Local CIQ laboratory staff described equipment and testing protocols, including sampling processes. According to the procedures, laboratory staff take three product samples for any testing. The first sample is used for the initial analysis, and the other two samples are stored on site for a period of up to six months, depending on the type of product. (Biological products are stored for less time.) The second sample is tested if the first sample reveals contamination or other quality problems. The third sample is held in reserve as a record of testing that was performed. In addition, one Shenzhen CIQ official revealed that CIQ retroactively tests products facing scrutiny in foreign press reports.

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